

**FREMONT AREA DISTRICT LIBRARY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2004**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

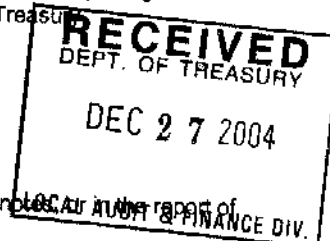
Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Fremont Area District Library</b>	County <b>Newaygo</b>
Audit Date <b>6/30/04</b>	Opinion Date <b>9/24/04</b>	Date Accountant Report Submitted to State: <b>12/21/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) <b>Hendon &amp; Slate PC</b>			
Street Address <b>711 West Main Street</b>		City <b>Fremont</b>	State <b>MI</b>
Accountant Signature <i>Jodi DeKruiger, CPA</i>		ZIP <b>49412</b>	Date <b>12/21/04</b>

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# FREMONT AREA DISTRICT LIBRARY

## Library Board

<u>Appointed Official</u>	<u>Position</u>
Jane Reath	President
Amy Wharton	Vice- President
Arleen Frost	Treasurer
Gail Cooper	Secretary
Richard Conley	Trustee
Dennis Caplis	Trustee
Kathy Alford	Trustee

## Administration

Jennifer Giltrop	Library Director (as of June 30, 2004)
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# HS & Companies



**Hendon & Slate, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS



Library Board  
Fremont Area District Library  
Fremont, MI 49412

## Independent Auditor's Report

We have audited the accompanying basic financial statements of the Fremont Area District Library as of and for the year ended June 30, 2004 as listed in the accompanying table of contents. These financial statements are the responsibility of the Fremont Area District Library Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Fremont Area District Library as of June 30, 2004, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental information listed in the table of contents as supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements of Fremont Area District Library. This information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The management discussion and analysis included in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Fremont Area District Library. We did not examine this data and, accordingly, do not express an opinion thereon.

*Hendon & Slate, P.C.*

Hendon & Slate, P.C.  
Certified Public Accountants  
September 24, 2004

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**FREMONT AREA DISTRICT LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2004**

**Using this annual Report**

This annual report consists of three parts - *management's discussion and analysis* (this Section), the *basic financial statements*, and *required supplementary information*. The Basic Financial Statements include information that presents two different views of the Library:

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. The second column provides information on the combined Debt Service and Capital Projects funds. These two columns are combined in a Total column (the third column). These *Fund Financial Statements* focus on the current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The Adjustment column of the financial statements represents adjustments necessary to the government-wide financial statements under the full-accrual method.
- The *government-wide financial statement* columns provide both *long-term* and *short-term* information about the Library's *overall* financial status. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in short term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

**Condensed Financial Information**

The table below contains key financial information in a condensed format as a comparative analysis of government-wide data for fiscal years ended June 30, 2004 and 2003.

	<u>2004</u>	<u>2003</u>
Current Assets	\$ 451,578	\$ 477,165
Capital Assets	<u>6,317,821</u>	<u>6,389,246</u>
Total Assets	<u>\$ 6,769,399</u>	<u>\$ 6,866,411</u>
Long-term Debt	\$ 808,725	\$ 881,440
Other Liabilities	<u>145,616</u>	<u>127,986</u>
Total Liabilities	<u>\$ 954,341</u>	<u>\$ 1,009,426</u>
Net Assets:		
Invested in Capital Assets, net of Debt	\$ 5,517,821	\$ 5,549,246
Restricted for Debt Service	48,105	47,469
Unrestricted	<u>249,132</u>	<u>260,270</u>
Total Net Assets	<u>\$ 5,815,058</u>	<u>\$ 5,856,985</u>
Revenue:		
Property Taxes	\$ 452,922	\$ 436,939
Grants	290,034	221,770
Other	<u>124,955</u>	<u>119,416</u>
Total Revenues	867,911	778,125
Expenses - Library Services	<u>909,838</u>	<u>925,921</u>
Change in Net Assets	<u>\$ (41,927)</u>	<u>\$ (147,796)</u>

## Management's Discussion and Analysis (continued)

### The Library as a Whole

- The Library's net assets decreased by \$41,927 current year compared to \$147,796 in the prior year. The improvement is primarily due to an increase in grants recognized this year.
- The Library's primary source of revenue is from property taxes, which represents 52 percent of total revenues as compared to 56 percent in the prior year.
- Salaries and fringes benefits are a significant expense of the Library, representing 44 percent of total expenses, however, due to a resignation and a retirement of significant administrative personnel that was a decrease from 50 percent in the prior year.
- Depreciation expense for the current year represented 23 percent of the Library's total expenses (2003 was 22 percent). Which is consistent with the expenses as a whole, which were constant with last year.

### The Library's Funds

Our analysis of the Library's major fund is included on pages 5 and 6 in the first two columns of the statement. The fund columns provides detailed information about the most significant fund - not the Library as a whole. The Library Board has the ability to create separate funds to help manage money for specific purposes, and to maintain accountability for certain activities, such as property tax millages. The Library's major funds consist of the General Fund and the Debt Service Fund.

The fund balance of the General Fund decreased during the year by \$43,853, compared with \$15,179 in the prior year. The increase in revenue was largely due to an increase in taxes and grants. These extra sources were then used to increase books, capital outlay and contracted services.

Salaries and Fringe Benefits were the largest use of resources during the current fiscal year.

The Debt Service Fund revenues are basically equivalent to the expenditures, resulting in only a small increase in fund balance this year.

### Library's Budgetary Highlights

Over the course of the year, the Library Board amended the budget to take into account events that occurred during the year. The most significant amendments occurred in Acquisitions and Salaries and Wages.

The most significant amendment was to realign expenditures to more appropriately reflect actual expected results. Salaries and wages were originally estimated based upon the most recent year plus an estimated increase. After the year was partially completed, it became apparent that the estimate was too high due to the director retiring and the timing of hiring a new director. With the alignment of salaries and wages, the expected unspent funds were then allocated to allow for additional acquisitions.

### Capital Assets and Debt Administration

At the end of the fiscal year, the Library had \$8,501,827 invested in land, building, furniture and equipment, and books and materials. The Library added \$138,470 in new equipment and collection items. This consisted of \$37,827 in new computer equipment, \$50,797 of improvements, including humidifiers and an employee entrance, and \$49,846 in new collection items, which included new books, various audio/visual materials, and additions to the music collection.

The Library's debt rating is excellent. No debt was issued during the fiscal year. The Library's bonded indebtedness totaled \$800,000 and the amounts owed for Vacation and Sick Leave amounted to \$8,725 at June 30, 2004. The significant reduction in Vacation and Sick Leave was partially due to the policy change effective January 1, 2004 and the retirement and resigning of two administrative positions during the year.

# FREMONT AREA DISTRICT LIBRARY

## Governmental Funds Balance Sheet/Statement of Net Assets June 30, 2004

	General Fund	Debt Service Fund	Total	Adjustments <sup>A</sup>	Statement of Activities
<b>Assets and Other Debits</b>					
Cash	\$ 327,837	\$ 48,105	\$ 375,942	\$ -	\$ 375,942
Accounts Receivable	-	-	-	-	-
Due from Other Governmental Units	57,774	-	57,774	-	57,774
Prepaid Expenses	17,862	-	17,862	-	17,862
Land	-	-	-	327,893	327,893
Other Capital Assets, Net of Accumulated Depreciation	-	-	-	5,989,928	5,989,928
<b>Total Assets</b>	<b>\$ 403,473</b>	<b>\$ 48,105</b>	<b>\$ 451,578</b>	<b>\$ 6,317,821</b>	<b>\$ 6,769,399</b>
<b>Liabilities, Fund Equity and Other Credits</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 21,215	\$ -	\$ 21,215	-	21,215
Due to Other Governments	2,422	-	2,422	-	2,422
Deferred Revenue	121,979	-	121,979	-	121,979
Long-Term Liabilities					
Bonds Payable, Due within One Year	-	-	-	40,000	40,000
Bonds Payable, Due After One Year	-	-	-	760,000	760,000
Accumulated Employee Benefits	-	-	-	8,725	8,725
<b>Total Liabilities</b>	<b>145,616</b>	<b>-</b>	<b>145,616</b>	<b>808,725</b>	<b>954,341</b>
<b>Fund Balance/Net Assets</b>					
Fund Balances					
Unreserved	257,857	-	257,857	(257,857)	-
Unreserved, reported in Debt Service	-	48,105	48,105	(48,105)	-
<b>Total Fund Balances</b>	<b>257,857</b>	<b>48,105</b>	<b>305,962</b>	<b>(305,962)</b>	<b>-</b>
<b>Total Liabilities and Fund balances</b>	<b>\$ 403,473</b>	<b>\$ 48,105</b>	<b>\$ 451,578</b>		
<b>Net Assets:</b>					
Invested in Capital Assets, Net of Related Debt				5,517,821	5,517,821
Restricted for Debt Service				48,105	48,105
Unrestricted				249,132	249,132
<b>Total Net Assets</b>				<b>\$ 5,815,058</b>	<b>\$ 5,815,058</b>

<sup>A</sup> Notes to the Financial Statements provide the details for main components of the adjustments.

The Notes to the Financial Statements are an integral part of this statement.



# FREMONT AREA DISTRICT LIBRARY

## Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities For the Year Ended June 30, 2004

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments<sup>A</sup></u>	<u>Statement of Activities</u>
Revenue					
Local Sources					
Taxes	\$ 452,922	\$ -	\$ 452,922	-	\$ 452,922
Grants	211,637	78,397	290,034	-	290,034
Penal Fines	55,352	-	55,352	-	55,352
Interest	3,871	515	4,386	-	4,386
Patron Fees	25,885	-	25,885	-	25,885
Donations - Memorials	23,458	-	23,458	-	23,458
Other	<u>4,349</u>	<u>-</u>	<u>4,349</u>	<u>-</u>	<u>4,349</u>
Total Local Sources	777,474	78,912	856,386	-	856,386
State Sources - State Aid	<u>11,525</u>	<u>-</u>	<u>11,525</u>	<u>-</u>	<u>11,525</u>
Total Revenues	788,999	78,912	867,911	-	867,911
Expenditures					
Salaries and Fringe Benefits	429,719	-	429,719	(32,715)	397,004
Library Books and Materials	53,879	-	53,879	(49,846)	4,033
Utilities and Telephone	67,659	-	67,659	-	67,659
Repairs and Maintenance	65,676	-	65,676	-	65,676
Capital Outlay	94,052	-	94,052	(88,623)	5,429
Insurance	10,107	-	10,107	-	10,107
Professional and Contracted Services	64,722	-	64,722	-	64,722
Miscellaneous	47,038	-	47,038	-	47,038
Depreciation	-	-	-	209,894	209,894
Debt Service					
Principal	-	40,000	40,000	(40,000)	-
Interest and Fees	<u>-</u>	<u>38,276</u>	<u>38,276</u>	<u>-</u>	<u>38,276</u>
Total Expenditures	<u>832,852</u>	<u>78,276</u>	<u>911,128</u>	<u>(1,290)</u>	<u>909,838</u>
Excess Revenue Over Expenditures/ Change in Net Assets	(43,853)	636	(43,217)	1,290	(41,927)
Fund Balance/Net Assets - July 1	<u>301,710</u>	<u>47,469</u>	<u>349,179</u>	<u>5,507,806</u>	<u>5,856,985</u>
Fund Balance/Net Assets - June 30	<u>\$ 257,857</u>	<u>\$ 48,105</u>	<u>\$ 305,962</u>	<u>\$ 5,509,096</u>	<u>\$ 5,815,058</u>

<sup>A</sup> Notes to the Financial Statements provide the details for main components of the adjustments.

The Notes to the Financial Statements are an integral part of this statement.

## FREMONT AREA DISTRICT LIBRARY

### Notes to the Financial Statements June 30, 2004

#### NOTE A NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Fremont Area District Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

##### 1. REPORTING ENTITY

Fremont Public Library was reorganized as the Fremont Area District Library as created by Act 24 of the Public Acts of 1989, as amended effective July 1, 1996. The purpose of the Fremont Area District Library is to provide library services to the City of Fremont and four surrounding local units, including the Fremont Public Schools. The Library's Board consists of eight appointed board members.

The financial statements include all activities of the Library. There are no governmental departments, agencies, institutions, commissions, public authorities or organizations within the Library, which its appointed officials may exercise oversight responsibility, that have been excluded. Oversight responsibility is considered to be derived from the Library's power and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Also, using the same criteria above, the Library's financial statements include the accounts of all Library operations.

##### 2. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major and non-major funds).

##### **Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The effect of interfund activity has been eliminated from the government-wide financial statements. Also, there are no fiduciary funds included in the government-wide statements.

##### **Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred,

as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due.

Property taxes, State Shared Revenue, Penal Fines and interest are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Deferred revenues arise when resources are received by the Library before it has met all of the eligibility requirements imposed by the grantor or provider.

The Library reports the following major governmental funds:

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from intergovernmental revenues.

The Library reports the following non-major fund types:

Debt Service Fund - Debt Service Funds are used to account for the accumulation of resources for and the payment of general long-term debt principal, interest and related costs.

Capital Project Funds - Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by proprietary or trust funds.

3. **CAPITAL ASSETS**

Capital assets are defined by the Library as assets with an initial cost more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life on an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and Improvements	10-50 Years
Furniture and Equipment	5-20 Years
Library Books and Materials	3-10 Years

4. **PROPERTY TAXES**

Property taxes are levied on December 1<sup>st</sup> based on the taxable valuation of the property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year. The Townships and City bill and collect the property taxes.

5. **CASH AND CASH EQUIVALENTS**

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments, if any, with original maturities of three months or less from date of acquisition.

6. **USE OF ESTIMATES**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. **PREPAID EXPENSES**

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items.

8. **COMPENSATED (VACATION AND SICK LEAVE)**

It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Library employees are granted vacation and sick leave in varying amounts based on length of service. Upon termination, employees are paid accumulated vacation at full rates and a bonus in lieu of sick leave based upon years of service and status. Vacation and sick pay, per above requirements, is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund - General Fund only for employees terminations as of year end.

9. **LONG-TERM OBLIGATIONS**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

10. **FUND EQUITY**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subjective to change.

**NOTE B DEPOSITS**

Legal or Contractual Provisions for Deposits and Investments. The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended through December 31, 1997, states the Library by resolution, may authorize the Treasurer to invest surplus funds in one or more of the following:

1. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2).
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
4. Repurchase agreements consisting of instruments listed in subdivision (a).
5. Bankers' acceptances of United States banks.
6. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 81a-1 to 801-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
  - i The purchase of securities on a when-issued or delayed delivery basis.
  - ii The ability to lend portfolio securities as long as the mutual fund receives collateral all times equal to at least 100% of the securities loaned.
  - iii The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.

Notes to the Financial Statements (Continued)

8. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperations Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
9. Investment pools organized under the surplus funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.
10. The investment pools organized under the local government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

The Library funds are held at Huntington Bank and are carried at cost and consisted of the following:

	<u>Carrying Value</u>	<u>Market Value</u>
Cash on Hand	\$ 120	\$ -
NOW	-	8,397
Money Market - General	327,717	347,281
Money Market - Debt Service	<u>48,105</u>	<u>48,105</u>
Total Deposits	<u>\$ 375,942</u>	<u>\$ 403,783</u>
FDIC Insured	\$ -	\$ 8,397
Uninsured	120	-
Money Market Funds	375,822	395,386

Investments are normally categorized to give an indication of the level of risk assumed by the Library; however, money market funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments in the funds comply with the investment authority noted above.

NOTE C DUE FROM OTHER GOVERNMENTAL UNITS

Receivables at June 30, 2004 consisted of the following:

Newaygo County - Penal Fines \$ 57,774

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Grants	<u>\$ -</u>	<u>\$ 121,979</u>

NOTE D CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets for governmental activities is as follows:

Notes to the Financial Statements (Continued)

	<u>Balance 7/01/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/04</u>
Assets not being depreciated				
Land	\$ 327,893	\$ -	\$ -	\$ 327,893
Other Capital Assets:				
Building & Improvements	6,106,317	50,797	-	6,157,114
Furniture & Equipment	681,982	37,827	-	719,809
Library Collection	<u>1,283,265</u>	<u>49,846</u>	<u>36,100</u>	<u>1,297,011</u>
Total	8,399,457	138,470	36,100	8,501,827
Accumulated Depreciation	<u>(2,010,211)</u>	<u>(209,894)</u>	<u>(36,100)</u>	<u>(2,184,005)</u>
Net Book value	<u>\$ 6,389,246</u>	<u>\$ (71,424)</u>	<u>\$ -</u>	<u>\$ 6,317,822</u>

NOTE E CHANGES IN LONG-TERM DEBT

Outstanding Debt

A summary of debt outstanding of The Library for governmental activities at June 30, 2004 is as follows:

	<u>Balance July 1, 2003</u>	<u>(Net) Borrowings (Payments)</u>	<u>Balance June 30, 2004</u>	<u>Amounts Due within One Year</u>
Bonds Payable - due in annual installments of \$15,000 to \$75,000 through May 2018; interest from 3.5% to 5.0%	\$ 840,000	\$ (40,000)	\$ 800,000	\$ 40,000
Vacation and Sick Pay - due as used or upon retirement or termination	<u>41,440</u>	<u>(32,715)</u>	<u>8,725</u>	<u>6,512</u>
Total General Long-Term Debt Account Group	<u>\$ 881,440</u>	<u>\$ (72,715)</u>	<u>\$ 808,725</u>	<u>\$ 46,512</u>

The compensated absences represent the estimated liability to be paid employees under The Library's sick-pay bonus and vacation pay policy. Under The Library's policy, employees earn vacation time and sick pay bonuses based on hours worked and years of service with The Library. Due to a change in the policy, the value of compensated absences decreased significantly from prior year.

Debt Service Requirements

The annual requirements to amortize all debt outstanding at June 30, 2004 (excluding employee benefits), including both principal and interest are as follows:

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 76,676	\$ 40,000	\$ 36,676
2006	80,076	45,000	35,076
2007	78,231	45,000	33,231
2008	81,364	50,000	31,364
2009	79,264	50,000	29,264
2010 - 2014	401,094	290,000	111,094
2015 - 2018	<u>315,494</u>	<u>280,000</u>	<u>35,494</u>
	<u>\$ 1,112,199</u>	<u>\$ 800,000</u>	<u>\$ 312,199</u>

Interest

Interest expense of The Library for the year ended June 30, 2004 was \$38,236.

NOTE F RETIREMENT PLAN

Description of Plan and Plan Assets - The Library is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2003.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by the Library's personnel policy, which does not require employees to contribute to the plan. The Library is required to contribute at an actuarially determined rate: the current rate was 13.90 percent at December 31, 2002.

Annual Pension Cost - During the fiscal year ended June 30, 2004, the Library's contributions totaling \$31,299 were made in accordance with contribution requirements. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent plus a percentage based on an age-related scale to reflect merit, longevity, and promotional salary increases.

GASB 25 and GASB 27 Information - The following information has been prepared to provide the information necessary to comply with GASB Statements Number 25 and 27.

All entries and the annual employer contribution amount were based on the actuarial methods and assumptions used in the December 31, 2003 actuarial valuations. The entry age normal actuarial method was used to determine the disclosure entries.

GASB 25 Information

	As of 12/31/03
Actuarial Accrued Liability	
Retirees and beneficiaries currently receiving benefits	\$ 205,196
Terminated employees (vested former employees) Not yet receiving benefits	8,737

Notes to the Financial Statements (Continued)

	As of 12/31/03
Non-vested terminated employees (pending refunds of Accumulated member contributions)	-
Current employees -	
Accumulated employee contributions Including allocated investment income	6,989
Employer financed	<u>463,984</u>
Total Actuarial Accrued Liability (b)	684,906
Net Assets Available for Benefits at Actuarial Value (Market Value is \$471,654) (a)	<u>516,537</u>
Unfunded (Overfunded) Actuarial Accrued Liability	<u>\$ 168,369</u>

GASB 27 Information

Fiscal Year Beginning	July 1, 2005
Annual Required Contribution (ARC)	\$ 31,688
Amortization Factor Used - Underfunded Liabilities (30 Years)	0.053632

<u>Trend Information</u>			
<u>Fiscal Period Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2002	\$ 31,309	100%	-0-
June 30, 2003	\$ 31,556	100%	-0-
June 30, 2004	\$ 31,299	100%	-0-

<u>Schedule of Funding Progress</u>						
<u>Actuarial Valuation 12/31</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded (Over)AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL As a % of Covered Payroll (b-a)/(c)</u>
2001	\$ 426,296	\$ 607,380	\$ 181,084	70.2%	\$ 200,151	90.5%
2002	460,835	636,850	176,015	72.0%	227,878	77.0%
2003	516,537	684,906	168,369	75.0%	230,779	73.0%

NOTE G DEFERRED COMPENSATION PLAN

The Library offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Library employees, permits deferral of a portion of earnings until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.



All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Library (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Library's general creditors. Participants' rights under the plan are equal to those of general creditors of the Library in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the Library that the Library has no liability for losses under the plan but does have the duty of due care that would be required for an ordinary prudent investor.

**NOTE H RELATED PARTY TRANSACTIONS**

The Library uses a cleaning company that is owned by a part-time employee of the Library. During the year ended June 30, 2004, \$32,500 was paid to this cleaning company. No amounts were owed to this company at year-end.

**NOTE I RISK MANAGEMENT**

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Library maintains commercial insurance coverage for each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Library. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**NOTE J STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The General Fund is under formal budgetary control. The budget shown in the financial statements for this fund was prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consists only of those amounts contained in the formal budget approved and amended by the Board.

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2004, the Library did incur material overexpenditures in the following funds:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Salaries and Wages	\$ 332,000	\$ 338,801	\$ 6,801
Capital Outlay	74,636	94,052	19,416

In the body of the financial statements, the Library's actual expenditures and budgeted expenditures for the budgetary fund has been shown on a functional basis. The approved budgets for this budgetary fund was adopted at the line item level.

**NOTE K RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Total fund balance and the net change in fund balance of the Library's governmental fund differs from net assets and statement of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the

Notes to the Financial Statements (Continued)

governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

<b>Total Fund Balance - Modified Accrual Basis</b>	<b>\$ 305,962</b>
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Amounts reported in the statement of net assets are different because:

Capital Assets are not financial resources, and are not reported in the funds	6,317,821
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Long-term liabilities are not due and payable in the current period and are not reported in the funds	(800,000)
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Compensated absences are included as a liability	<u>(8,725)</u>
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<b>Net Assets of General Fund - Full Accrual Basis</b>	<b><u>\$ 5,815,058</u></b>
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<b>Net change in Fund Balances - Modified Accrual Basis</b>	<b>\$ (43,217)</b>
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Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Library books and materials	49,846
Capital outlay	88,623
Depreciation	(209,894)

Increase in accrual for long-term compensated absences reported as an expenditure in the statement of activities, but not in the fund statements	32,715
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Repayments of bond principal are reported as an expenditure in the fund statements, but not in the statement of activities (where it reduces long-term debt)	<u>40,000</u>
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<b>Change in Net assets of General Fund - Full Accrual Basis</b>	<b><u>\$ (41,927)</u></b>
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# FREMONT AREA DISTRICT LIBRARY

## Required Supplementary Information Budgetary Comparison Schedule - General Fund For the Year Ended June 30, 2004

	Originally Adopted Budget	Final Amended Budget	Actual	Favorable (Unfavorable)
Revenues				
Local Sources				
Taxes	\$ 468,000	\$ 452,916	\$ 452,922	\$ 6
Grants	293,175	308,615	211,637	(96,978)
Penal Fines	65,000	60,000	55,352	(4,648)
Interest	3,000	3,500	3,871	371
Patron Fees	22,000	23,576	25,885	2,309
Donations - Memorials	26,000	23,600	23,458	(142)
Other	<u>3,300</u>	<u>4,000</u>	<u>4,349</u>	<u>349</u>
Total Local Sources	880,475	876,207	777,474	(98,733)
State Sources - State Aid	<u>10,000</u>	<u>11,500</u>	<u>11,525</u>	<u>25</u>
Total Revenues	890,475	887,707	788,999	(98,708)
Expenditures				
Salaries and Wages	388,000	332,000	338,801	(6,801)
Payroll Taxes	36,000	25,398	25,493	(95)
Fringe Benefits	69,000	67,167	65,425	1,742
Acquisitions - Books	21,379	34,573	30,788	3,785
- Periodicals	7,000	7,000	6,892	108
- Audio-Visual	9,400	20,720	16,199	4,521
Utilities and Telephone	68,000	73,700	67,659	6,041
Repairs and Maintenance	78,000	68,678	65,676	3,002
Capital Outlay	75,582	74,636	94,052	(19,416)
Insurance	17,000	21,910	10,107	11,803
Copy Machine and Processing	11,314	9,464	8,299	1,165
Office Supplies	7,450	7,999	8,273	(274)
Postage	4,400	4,400	4,708	(308)
On Line	5,000	5,000	4,032	968
Travel	6,300	3,300	2,938	362
Professional and Contracted Services	65,370	66,370	64,722	1,648
Printing and Publishing	5,780	6,340	6,019	321
Training	5,300	1,895	1,992	(97)
Miscellaneous	<u>10,200</u>	<u>10,866</u>	<u>10,777</u>	<u>89</u>
Total Expenditures	<u>890,475</u>	<u>841,416</u>	<u>832,852</u>	<u>8,564</u>
Excess Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 46,291</u>	(43,853)	<u>\$ (90,144)</u>
Fund Balance - July 1			<u>301,710</u>	
Fund Balance - June 30			<u>\$ 257,857</u>	

# FREMONT AREA DISTRICT LIBRARY

## Budgetary Comparison Schedule - Debt Service Fund For the Year Ended June 30, 2004

	Original Adopted <u>Budget</u>	Final Amended <u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
Revenues				
Interest	\$ -	\$ 500	\$ 515	\$ 15
Grants	<u>78,537</u>	<u>78,397</u>	<u>78,397</u>	<u>-</u>
Total Revenues	78,537	78,897	78,912	15
Expenditures				
Debt Service				
Principal	40,000	40,000	40,000	-
Interest and Fees	<u>38,237</u>	<u>38,322</u>	<u>38,276</u>	<u>46</u>
Total Expenditures	<u>78,237</u>	<u>78,322</u>	<u>78,276</u>	<u>46</u>
Excess Revenues Over Expenditures	<u>\$ 300</u>	<u>\$ 575</u>	636	<u>\$ 61</u>
Fund Balance - July 1			<u>47,469</u>	
Fund Balance - June 30			<u>\$ 48,105</u>	